

Message Text

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ACTION EUR-12

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TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01
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R 021718Z JUN 77
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 8185
INFO USINT BAGHDAD
AMEMBASSY NEW DELHI
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C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 7812

E.O. 11652: GDS
TAGS: PFOR, IN, US, EEWT, ENRG, UR
SUBJECT: INDO-SOVIET ECONOMIC RELATIONS

REF: (A) NEW DELHI 6104 (NOTAL), (B) NEW DELHI 7252, (C) MOSCOW 7022

SUMMARY: ECONOMICS MINISTER IN INDIAN EMBASSY INDICATED
THAT SOVIETS TURNED DOWN INDIAN REQUEST FOR "PL-480" STYLE
ECONOMIC ASSISTANCE. WHILE BOTH SIDES SEE MUTUAL
INTEREST IN PRESERVING POSITION INDO-SOVIET ECONOMIC
RELATIONSHIP, INDIANS HAVE DECLINING INTEREST IN SOVIET
TECHNOLOGY ANND WOULD PREFER TO RECEIVE RAW MATERIALS ON
FAVORABLE TERMS. END SUMMARY.

1. DURING CONVERSATION MAY 31 WITH E/C COUNSELOR, G.K.
ARORA, MINISTER (ECONOMIC) IN INDIAN EMBASSY, COMMENTED
ON A RANGE OF ISSUES BEARING ON INDO-SOVIET RELATIONS.
HIS REMARKS ARE HIGHLIGHTED IN FOLLOWING PARAGRAPHS.

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2. HIGH LEVEL VISITS. DURING THE RECENT VISIT OF INDIAN
LAW MINISTER, THE SOVIETS MENTIONED THE INVITATION EXTENDED
TO PRIME MINISTER DESAI (REF A) TO VISIT THE USSR, BUT
INDIANS SEE NO PRESENT LIKELIHOOD OF SUCH A VISIT AND
BELIEVE THAT IN TERMS OF PROTOCOL KOSYGIN SHOULD VISIT
INDIA FIRST. NO VISIT BY FOREIGN MINISTER VAJPAYEE IS
PLANNED, SINCE THERE ARE NO MAJOR ISSUES TO DISCUSS.

3. CREDITS. ARORA CONFIRMED THAT THE 250 MILLION SOVIET RUBLE CREDIT ROLLS OVER ON MORE FAVORABLE TERMS UNEXPENDED PORTION OF PREVIOUS SOVIET CREDIT. SOME 50 MILLION IS COMMITTED TO COAL DEVELOPMENT, BUT THE REMAINDER IS OPEN AT THIS POINT. DEBT-SERVICE ON PREVIOUS LOANS MEANS INDIANS ARE GIVING SOVIETS A NET TRANSFER OF RESOURCES AT PRESENT HENCE INDIANS HOPED SOVIETS WOULD PROPOSE SOMETHING LIKE A "PL-480", OFFERING OIL OR RAW MATERIALS ON CREDIT. SOVIETS REJECTED THIS PROPOSAL WITH THE FLAT ASSERTION THAT IT DOES NOT ACCORD WITH SOVIET POLICY. NEVERTHELESS, BOTH SIDES RECOGNIZED A MUTUAL INTEREST IN MAINTAINING A POSITIVE RELATIONSHIP. ARORA SAID SOVIETS ARE BEING CAREFUL TO AVOID GIVING OFFENSE, AND THE INDIANS PERCEIVE THEIR OWN ADVANTAGE IN THIS SITUATION.

4. TECHNOLOGY. THE INDIAN DECISION TO DROP SOVIET ASSISTANCE TO THE BKARO COLD ROLLING MILL REFLECTED A PREFERENCE FOR WESTERN - AND IF POSSIBLE- AMERICAN TECHNOLOGY. IN GENERAL INDIA IS NOT INTERESTED IN ACQUISITION OF SOVIET TECHNOLOGY ON A LARGE SCALE FOR THREE BASIC REASONS: (A) OFTEN INDIA'S OWN LEVEL OF TECHNOLOGY IS ABOVE THAT OF THE USSR AND CAN BE IMPROVED ONLY BY ACQUIRING THE SUPERIOR TECHNOLOGY OF THE WEST; (B) THE SOVIETS DO NOT HAVE A VERY WIDE RANGE OF TECHNOLOGY TO OFFER, EVEN WHERE THE INDIANS WOULD WANT IT; (C) THE DELAYS IN DOING BUSINESS WITH THE SOVIETS ARE SEVERE; WHEREAS A TELEX MESSAGE TO A WESTERN FIRM WILL OFTEN DO TO SETTLE A MINOR ISSUE, THE SAME PROCESS TAKES AGES IN DEALING WITH THE SOVIET BUREAUCRACY. ACCORDING TO CONFIDENTIAL

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ARORA, INDIA HAS MORE ADVANCED INFRASTRUCTURE THAN DOES THE USSR AND FOR THIS REASON WOULD BE MORE INTERESTED IN SOVIET RAW MATERIALS THAN TECHNOLOGY.

5. AID. THE SOVIET AID POLICY IN GENERAL IS A TIGHT-FISTED ONE, IN ARORA'S VIEW. THEY HAVE MADE IT ABUNDANTLY CLEAR THAT THEY DO NOT BELIEVE IN THROWING THEIR MONEY AROUND. WHILE AMERICAN EFFORTS TO ENLIST THE SOVIETS IN MORE GENEROUS MULTILATERAL ASSISTANCE TO DEVELOPING COUNTRIES ARE COMMENDABLE, THERE IS LITTLE LIKELIHOOD THAT THEY WILL SUCCEED IN BREAKING THE SOVIET IDEOLOGICAL ARGUMENTS THAT USSR IS INNOCENT OF THE ECONOMIC DISTRESS OF POORER COUNTRIES.

6. OIL/IRON ORE. ARORA CONFIRMED THAT INDIA PAID THE OPEC PRICE FOR THE ONE MILLION TONS OF IRAQI OIL TRADED TO INDIA BY THE USSR. EMPHASIZING THAT IT WAS CONFIDENTIAL, ARORA SAID THAT INDIA DID NOT PROVIDE 400,000 TONS OF IRON ORE TO THE USSR THIS YEAR, AS PREVIOUSLY INDICATED, SINCE THIS PARTICULAR TRANSACTION WAS BASED ON A PLANNED SOVIET SALE

TO JAPAN WHICH DID NOT MATERIALIZE FOR REASONS UNKNOWN.
THE IRON ORE MAY BE TRADED IN 1978 AS PARTIAL PAYMENT FOR
THE PLANNED DELIVERY OF ONE AND ONE-HALF MILLION TONS
OF IRAQUI OIL BY THE USSR TO INDIA. ARORA SAID IT WAS HIS
UNDERSTANDING THAT THE SOVIETS NEVER ACTUALLY IMPORTED
IRAQUI OIL BUT SOLD IT TO THIRD COUNTRIES, ALTHOUGH NOT
PREVIOUSLY TO INDIA.

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7. RUBLE/RUPEE RELATIONSHIP. THERE IS NOTHING NEW ON THIS
VEXED ISSUE AND NO PLANS FOR ANOTHER MEETING, ALTHOUGH THE
SOVIETS HAVE EXPRESSED INTEREST IN REACHING AN EARLY AGREE-
MENT. ARORA REHEARSED THE INDIAN ARGUMENT THAT THE DECLINE
IN VALUE OF THE RUPEE STEMS FROM EXOGENOUS CAUSES (OPEC
OIL) RATHER THAN DOMESTIC INFLATION, WHICH HAS NOT BEEN
EXTREME. MOREOVER, THE WORLD MARKET VALUE OF THE RUPEE
IS KNOWN, WHEREAS ONE HAS TO GUESS ABOUT THE RUBLE.

8. THE SOVIET SYSTEM. THE UNCEREMONIOUS DISMISSAL OF
PODGORNY FROM THE SOVIET POLITBURO - AND IMPLICITLY FROM
THE "PRESIDENCY" AS WELL-MADE A VERY NEGATIVE IMPRESSION
ON MANY OF ARORA'S INTERLOCUTORS (AND ON ARORA, HIMSELF).
WHILE HE MAY HAVE LOOKED POORLY IN COMPARISON TO CASTRO IN
AFRICA, WHAT SOVIET LEADER WOULD HAVE DONE BETTER?
THE PRESENTATION OF A NEW CONSTITUTION, FULL-BLOWN AND
ALREADY ENDORSED BY THE TOP LEADERSHIP OF THE USSR, SEEMED

PARTICULARLY CRASS. WHEN HIS SOVIET DISCUSSANTS PROTESTED
WEAKLY THAT THE CONSTITUTION WOULD BE OPEN TO COMMENT,
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HE HAD ASKED THEM WHAT SOVIET CITIZEN WOULD BE READY TO
CRITICIZE IT UNDER THE CIRCUMSTANCES. NO ONE HAD EXPECTED
MUCH CRITICISM.

9. COMMENT: MINISTER ARORA IS A JUDICIOUS AND PERCEPTIVE
OBSERVER OF THE SOVIET SCENE. DESPITE HIS GOOD OPINION
OF THE UNITED STATES, HE IS CAREFUL TO MAKE CLEAR THAT
INDIA WISHES TO MAINTAIN A MUTUALLY BENEFICIAL RELATIONSHIP
WITH THE SOVIET UNION. AT THE SAME TIME, HIS REMARKS SHOW
THAT HE IS UNDER NO ILLUSIONS ABOUT THE NARROWLY-FOCUSED AND
OBJECTIVE-ORIENTED TRADE AND ASSISTANCE POLICY OF THE USSR.
HIS COMMENTS ABOUT DISAPPOINTED INDIAN HOPES FOR MORE GENEROUS
TREATMENT BY THE SOVIETS, AS WELL AS HIS REMARKS ABOUT THE
LACK OF INDIAN ENTHUSIASM FOR SOVIET TECHNOLOGY, SUGGEST
THAT SOVIET ECONOMIC LEVERAGE (AND INFLUENCE) IN INDIA
HAS ITS LIMITS.
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